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National
Home Center News ®

Vol. 12, No. 23 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. November 3, 1986

Ace Hardware president Roger Peterson said that major changes in the co-op's advertising and merchandising, detailed at last month's fall convention, are aimed at making Ace's dealers more competitive in the DIY market. NHCN photo

Ace unveils dramatic plan to transform co-op

By John Caulfield
NHCN staff editor

ATLANTA — The 7,000 dealers and vendors attending Ace Hardware Corporation's fall convention Oct. 18 to 21 are probably still reeling from hearing of Ace's dramatic plans in advertising, merchandising and marketing that aim to transform the company over the next few years.

"We've done a lot of soul searching, and have talked at length with our dealers about our strengths and weaknesses," said Roger Peterson, Ace's new president, in a interview with *NHCN* during the show, which was the co-op's second-best attended ever. "There's nothing wrong with our basic philosophy, but we felt that there was something missing for too many dealers in our programs."

On the surface, the nation's second largest hardware wholesale co-op with sales last year of $1.009 billion does not appear to be in need of any major adjustments. Its sales through the third quarter were up 4.6%, and its most

(Continued on page 57)

O-C proposes restructuring plan to pare firm to the bone

By Phillip M. Perry
NHCN staff editor

TOLEDO, Ohio — Owens-Corning Fiberglas' restructuring plan will leave the company with three operating business groups projected to do around two thirds of O-C's 1986 estimated volume of $3.8 billion.

The company's insulation and roofing operations will remain intact, but the plan—as detailed in a proxy statement mailed to shareholders last month—will leave O-C in a highly leveraged position, with total debt and other liabilities of $3.5 billion exceeding total assets by $1 billion.

Stockholders were sched-

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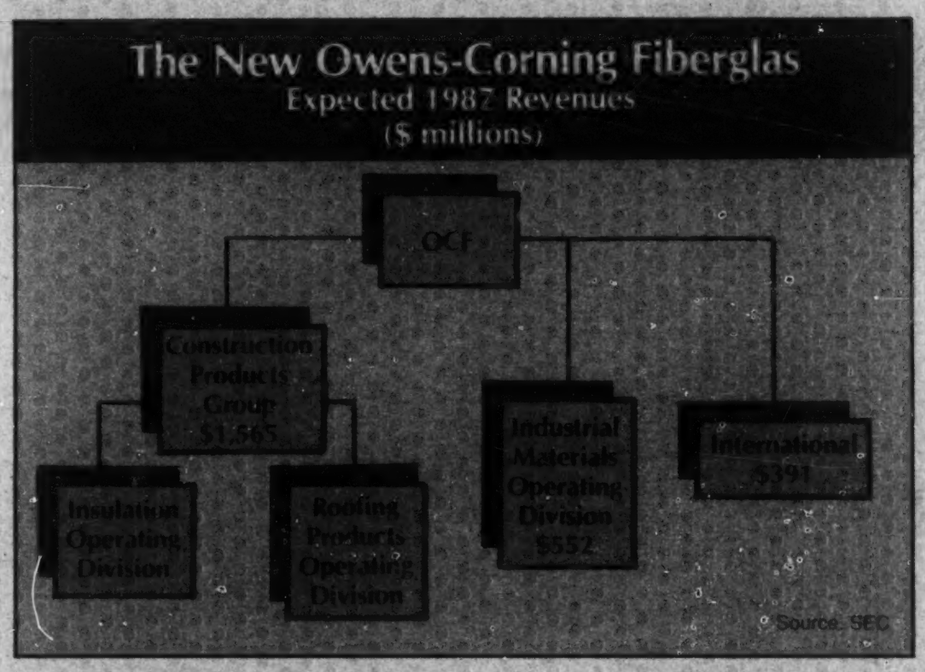

Owens-Corning expects total 1987 revenues of $2.5 billion, down from $3.8 billion this year. NHCN chart

Strober Brothers plans offering to raise $10 mil. for expansion

By Milford Prewitt
NHCN staff editor

BROOKLYN, N.Y. — The Strober Organization, parent company of the $78 million, nine-unit Strober Brothers chain, unveiled plans in mid-October to raise about $10 million from an initial public offering designed to finance expansion plans.

The company filed a preliminary prospectus with the SEC proposing to offer 850,000 shares of common stock to the public at a price of between $11 and $13.50 per share. Oppenheimer & Co., New York, is the lead underwriter.

A 74-year-old firm, Strober Brothers since 1972 has grown from a single location in New York City serving roofers to nine outlets operating in New York, New Jersey and Connecticut.

Between 1981 and 1985, the company's net sales increased 147% from $31.5 million to $77.9 million while net income increased 1,287% from $247,000 to $3.4 million. For the first six months of 1986, the company has earned $2.2

(Continued on page 58)

Scotty's manufacturing plant put on block

By Donald Longo
NHCN staff editor

WINTER HAVEN, Fla. — One month after closing six old stores and scaling back ambitious remodeling plans for the current fiscal year, Scotty's announced last month that it will try to sell its main manufacturing plant in order to concentrate better on its retail business.

Separately, Scotty's announced net earnings for its first quarter ended Sept. 27 declined 43.8% to $1.59 million or 11 cents per share, from $2.83 million or 20 cents the previous year. Sales were up 7.6% to $118.7 million.

Located adjacent to Scotty's headquarters and central distribution center com-

Scotty's has put its main truss, door and vanity manufacturing plant on the selling block after determining that it was not performing up to expectations. NHCN photo

plex, the truss, prehung door and vanities manufacturing facility, which replaced the chain's former primary manufacturing plant nearly two years ago, "was not performing at a level we would expect or demand from our investment," explained Richard Martineau, executive vice president of the 127-unit chain.

The company estimated the value of the 208,750-sq.-ft. facility, which accounted for 75% of the chain's annual manufacturing volume, at around $6 million. Martineau declined to release sales and profit figures for the plant, which cost the chain about $4.5 million in building and real estate.

(Continued on page 4)

General Felt pays $290M for Color Tile

By an NHCN staff editor

FT. WORTH, Texas — General Felt Industries (GFI), a Saddle Brook, N.J.-based holding company which owns Diamond Lumber, obtaines control of Color Tile on Oct. 15 when investors accepted a $31.50 buyout bid.

GFI said it had obtained

(Continued on page 58)

INSIDE

The sun also rises on Japan's growing DIY industry-Page 21
Taiwanese hardlines prominent in U.S.-Page 28

Scotty's tests video kiosks in 11 units-Page 40
Big Jakes ties popular projects to new computer software-Page 42

NEWSBREAKS

MR. HOW EXECUTIVES ON THE MOVE: Hank Kirschner, the former executive at Grossman's, Lindsley and, most recently, Mr. HOW Warehouse, has joined the 23-unit Handy Andy Home Improvement Centers, Gurnee, Ill., in the newly created post of senior vp-marketing, effective Nov. 1. In June, Handy Andy purchased five Mr. HOW units in the Chicago market. Gary Landress, Mr. HOW's vp-merchandising, recently joined Titan Industries, an Atlanta import/export firm.

INDUSTRY UPDATE

Home Depot sells 2.6M shares

ATLANTA — The Home Depot raised over $48 million on Oct. 16 from its offering of 2.6 million shares of new common stock, plus 390,000 additional shares for underwriters' over-allotment options. The shares were sold at $17.00.

The company had originally intended to go to market with two million shares, plus over-allotments (*NHCN*, Oct. 6). The number of shares were increased when underwriters indicated demand for the offering would be higher than expected.

The underwriting group was managed by Merrill Lynch Capital Markets and Investment Associates.

Coast-to-Coast makes move

DENVER — Coast-to-Coast, the Minnetonka, Minn.-based wholesaler, announced last month it would move the remainder of its operations to this city on a gradual basis starting early next year, in a process to be completed by April 1987.

In August, the $330 million wholesaler moved a headquarters team of 25 people to Denver. The operating staff in the areas of advertising, merchandising, accounting and computerization remained in Minnetonka. (*NHCN*, Aug. 25).

The wholesaler said about 250 people would be involved in the move of the remainder of the firm.

Beaver acquires Crown chain

TORONTO — Beaver Lumber's acquisition of Crown Stores Ltd. was finalized on Oct. 1.

The deal strengthens Beaver's position in the major western Canadian cities of Calgary, Edmonton, Regina and Vancouver where Crown operated 11 of its larger stores called HomeTown. Beaver has eight stores in those markets.

In combining the chains, four stores will be closed in those markets leaving a total of 15 units and increasing Beaver's retail square footage there from 258,000 sq. ft. to 620,000 sq. ft.

"That's why we did the deal," said Beaver president John Lacey. The deal also included small 15 CrownMart stores in rural Alberta and Saskatchewan.

Broadway opens Kansas unit

OVERLAND PARK, Kan. — Broadway Industries, a Kansas City, Mo.-based manufacturer of high-end decorative and plumbing fixtures, opened the chain's second home center here Oct. 27.

The home center's opening marks the firm's first foray into television advertising. Craig Miller, vp-retail division Broadway For Your Home said the opening will coincide with the start of four weeks of image building commercials, positioning the new store as an exciting place to shop.

The new 40,000-sq.-ft. rectangular Broadway For Your Home store features more than 30,000 stockkeeping units with an emphasis on plumbing. The Broadway Collection of decorative brass, plumbing fixtures and bath accessories is featured prominently in the middle of the store. Building materials and a small selection of lumber are in the store's back corner.

Robert Potts, president of Robert Potts Associates, a Dallas design firm, said the new store's decor is an attempt to project a "carriage trade" or department store image.

Home center stocks on rebound

NEW YORK — Home center stocks continued to rebound from September's market malaise as price gainers outnumbered losers, 37 to 13, with six issues unchanged, for the two-week period ended Oct. 17.

Among retailers, the winners were led by Hechinger A stock, which closed on Oct. 17 at $12.75, a 16.9% increase over the previous two-week period. Manufacturer issues were topped by American Woodmark which posted a 17.2% stock price gain.

Service Merchandise, the catalog showroom firm that is currently selling its Mr. HOW Warehouse chain, led all losers with a 14.4% decline to $9.63.

(See financial table, page 56.)

37 Gainers

6 Unchanged

13 Losers

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Available throughout the U.S., except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Lumber prices quickly fluctuate since imposition of new tariff

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Lumber prices have both risen and fallen since the imposition of the countervailing duty on Canadian lumber, making lumber buyers' jobs all the more confusing.

The wait-and-see attitude lumber buyers exhibited during the market volatility incited by mill strikes in British Columbia and the pretariff period has become an entrenched way of doing business since the duty was imposed.

A preliminary 15% tariff on all Canadian softwood lumber was imposed by the Commerce Department last month, and while it represented a victory of sorts for tariff advocates, it brought little pleasure to the Coalition for Fair Lumber Imports, the main proponents of the duty who had been seeking a 32% to 36% tariff.

The tariff percentage represented estimates of the amount of subsidies the Canadian government funnels to its forest products industry. The allegation of subsidies precipitated the Commerce Department's countervailing duty investigation.

Less than 24 hours after the Commerce Department announced the tariff on October 16, a Thursday, lumber buyers returned to their offices Friday morning to find mill quotes up $20 to $25 per thousand bd. ft., even for American products. By the beginning of the following week, however, lumber buyers reported that prices had stabilized and were dropping.

Lumber buyers frazzled

These price fluctuations in the aftermath of the tariff, combined with the daily shortage of some 3,000 to 4,000 missing carloads from the

(Continued on page 58)

Gen. Host moves to stem Frank's losses

By Phillip M. Perry
NHCN staff editor

STAMFORD, Conn. — General Host said last month it was taking steps to stem operating losses incurred from its rapid roll out of Frank's Nursery and Crafts stores.

Harris J. Ashton, General Host's chairman, told the New York Society of Security Analysts his company would:

- Open more stores in existing markets to reduce advertising and administrative expenses and boost revenues;
- Open a warehouse in Harrisburg, Pa., to reduce freight costs; and
- Shift its cash investment strategy from a high risk posture to preservation of capital.

The announcements came on the heels of second quarter losses of $5.3 million from continuing operations, compared with losses of $975,000 in same quarter in 1985.

Second quarter income came to $4.4 million, compared with $116,000 the same quarter the previous year.

Revenues for the quarter came to $121.9 million, up from the $96.8 million the same quarter the year before.

Expansion continues

While the purpose of the three key moves is intended to cut expenses, the company is maintaining its goal of building its chain to 500 nursery and craft stores producing at

(Continued on page 58)

DIY convention gets off to slow start

By Laura Liebeck
NHCN staff editor

NEW YORK — DIY Marketing '86, the combination DIY and nonfood supermarket convention organized by Continental Exhibitions of New York, got off to a slow start last month.

Debuting at Manhattan's new Jacob Javits Convention Center Oct. 7-9, DIY Marketing '86 failed to attract attention and may not be back.

"The show got off to a slow start," admitted Jerome Charnizon, president of Continental Exhibitions, adding that the DIY portion of the event was "a little more disappointing" than its nonfood counterpart, sponsored by *Supermarket News*, a trade publication.

Charnizon told *NHCN* that he and his committee will "evaluate and examine" the results of the show and determine whether to hold it next year, now scheduled for Nov. 17-19, 1987, at the Javits Center.

If the show returns, Charnizon said it would probably be in a different form, and may even be moved from New York. His decision was expected by the end of October.

"We gave it our best shot," Charnizon said. Attendance figures were disappointing. Only 1,500 people walked through in the first two days and 5,000 in total—exhibitors and visitors—were preregistered for the first hardware-type event in New York in 12 years, Charnizon reported. The results were far less than Charnizon had originally predicted.

DIY Marketing '86 housed 280 companies in 49,000 net sq. ft. of space at the Javits Center. Visitors and exhibitors were lost to each other in the show's expansive floor plan, 14 horizontal aisles giving the "perception that it was far worse than reality," Charnizon said. If the show returns, the configuration of the aisles would be altered, Charnizon commented.

Missing from the show were many of the ingredients for a successful event, the most important of which include sufficient numbers of big name exhibitors that draw crowds, and retailers.

Dealers heard but not seen

Several exhibitors commented that since new shows generally start slowly, it would be unfair to bury it so soon.

However, exhibitors complained about a real dearth of retailers walking the floor. In fact, many said they "heard"

Jerome Charnizon, pres.-Continental Exhibitions, admitted that the show may not be back.

NHCN photo

some retailers were there but never saw them. Mostly, they said, they saw "reps."

Within the first hour of the show, one exhibitor, Ernest Fan, sales manager for Carton Associates, an importer of brass faucets under the brand name Liberty Faucets, said he wouldn't return next year. Others waited until later in the day to make that decision and many exhibitors said they would wait until after the show to make their evaluation. Still others, like representatives for Eastman-Kodak, said they would wait to

(Continued on page 58)

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Std. Brands income falls

By an NHCN staff editor

TORRANCE, Calif. — Earnings at Standard Brands Paint Co., the specialty chain here, continued to slide. In the quarter ended July 27, net income was off 12.1%, a decline to $4,795,000 on sales of $89,178,000, which declined 6.6% for the period.

For the first half of its fiscal year, Standard Brands' earnings fell 20.8% to $8,066,000 on sales of $166,970,000, down 5.3%. Earnings per share were down to 71 cents from 91 cents a year ago.

Gross margins for the first six months fell slightly to 43.1% from 43.55% for the comparable period a year ago. However, the company was able to improve its profitability in the second quarter, as margins rose to 43.22% from 42.48% in the second quarter, 1985.

In addition, the company was able to knock 2.6% off its selling and general administrative costs during the second quarter.

Company officials attribute the company's recent lackluster performance—which included a 10.5% decline in same-store sales during the quarter—to "the uncertain economy and [a] highly competitive retail environment."

Consequently, the company has sought a number of cost cutting measures. At the end of the recent quarter, Standard Brands closed its Kent, Wash., facility, and will now service its stores in the Pacific Northwest from its headquarters warehouse. The closing was expected to result in an estimated $1 million savings in annual operating expenses.

However, the company is still committed to growth. During the second quarter, it opened five new stores, and plans to open another in the third quarter.

Corrections

An Oct. 6 story about Menard Cashway's newspaper ad promoting its newest store incorrectly identified the state where the store is located. The unit is in Apple Valley, Minn.

Rust-Oleum spent a combined estimated total of $2.06 million on commercial television advertising time last year for its home and automotive care products, making the Vernon Hills, Ill., manufacturer one of the home center industry's top 10 users of the medium among suppliers, according to the Television Bureau of Advertising. An earlier TVB report, published in the June 4 issue of *NHCN*, did not include all of Rust-Oleum's product lines in the total, resulting in an understatement of the company's spending in the home improvement field.

JT's Home & Builders Centers was wrongly referred to as J.T. O'Connor in the October 20 issue of *NHCN*.

Emhart takes $150M restructuring charge

By an NHCN staff editor

FARMINGTON, Conn. — Emhart Corporation, which last year through acquisition began placing greater emphasis on the sale of its DIY products, will take a special pretax charge of approximately $150 million in the third quarter.

The charge, according to a prepared statement by the company, is part of "a worldwide restructuring program."

The statement explained that this program would entail "cost containment and an organizational restructuring and streamlining." The first facet will include personnel reductions, an incentive program for early retirement, and reduction in excess capacity. Low growth, marginal product lines or units will be divested.

The pretax charge and restructuring program will have "significant impact" on 1986 earnings "and could offset them," said the company's prepared statement. However, the restructuring is not expected to affect the company's $76 million capital expenditures budget, or the $45 million set aside for technology and research investments. Emhart also expects its cash flow from operations to continue to be strong.

Emhart, with sales in excess of $1.8 billion and 29,000 employees, had primarily been an industrial and commercial business until its acquisition late last year of the True Temper division of Allegheny International for $115 million. That purchase, combined with an intensified marketing program this year, was meant to place Emhart at the forefront of consumer product suppliers. And, according to Richard Campbell, its consumer group's vp-marketing, the company's fasteners, security hardware and other hardlines were expected to generate $500 million in sales by 1990, which would represent a 13% annual growth rate (*NHCN*, Oct. 20, 1985).

> "We really haven't spelled out yet what our restructuring will entail....But the consumer group is one of our growth businesses, and it in all likelihood will be one we will expand."
>
> **John Budd,**
> *senior vp-corporate communications, Emhart*

"We really haven't spelled out yet what our restructuring will entail," said John Budd, Emhart's senior vp-corporate communications. "But the consumer group is one of our growth businesses, and it in all likelihood will be one we will expand."

Peter Scott, Emhart's chairman and ceo, was quoted in *The Wall Street Journal* as stating that he wanted revenues and profits to increase annually by 4%. In recent years, that growth rate has been but 2%.

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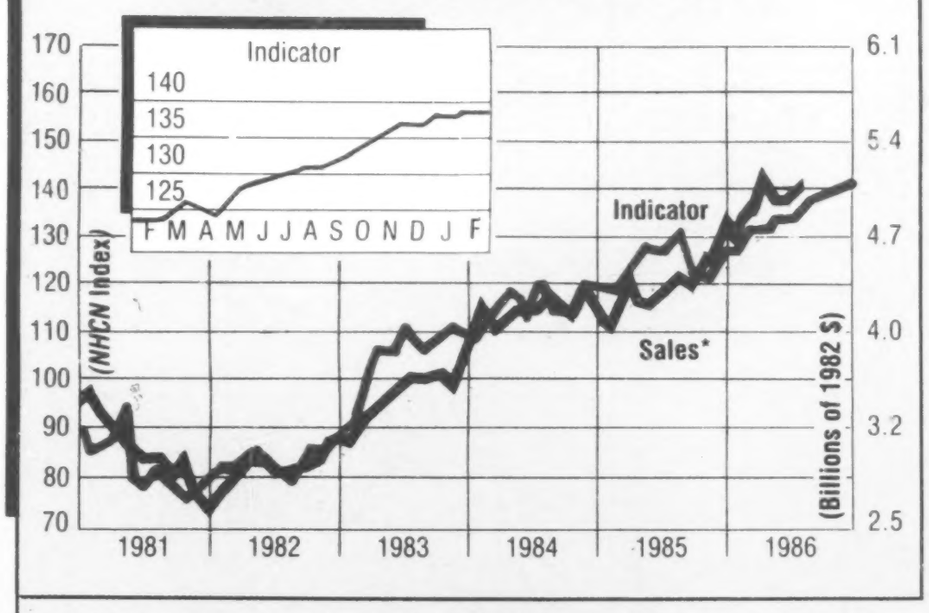
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator is projecting an expansion in building material sales in the first quarter of 1987. Resales were up in the second and third quarters and will increase building material demand.*

Additions, alterations to boost building material sales by 15%

By Richard E. Mount
Special to NHCN

Our forecast of building material sales has been raised to 15% for 1986 and 9% in 1987. Our outlook had called for a 12% gain in 1986. Building material sales through August are running above expectations and GNP should be stronger in the fourth quarter than previously thought. Strength in additions and alterations spending will support the increase in building material sales.

Additions cover homeowner spending, whether by himself or through a contractor, on the enlargement of the home by adding an extra room or garage, or the enhancement of the outside by laying new driveways, swimming pools, tennis courts, greenhouses and the like. Alterations cover such projects as remodeling or new electrical outlets. Homeowners have historically purchased 86% of the materials used in additions and alteration projects.

Richard E. Mount

Our research has shown four important factors for determining additions and alterations spending in the past.

- Consumer income gains allow homeowners to begin big-ticket improvements.
- Business downturns are usually positive. Homeowners, who would have moved, upgrade existing homes instead. Laid-off workers turn to projects around the home.
- Interest rates determine the cost of borrowing for home improvement loans.

(Continued on page 13)

General Business Conditions

		1985		1986				1987				
		QIII	QIV	QI	QII	QIII	QIV	QI	QII	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**121.0**	**123.4**	**124.7**	**127.9**	**132.1**	**136.6**	**138.8**	**139.9**	**118.5**	**130.3**	**140.8**
General Economic Outlook												
	GNP $1982 Billion	**3,603.8**	**3,622.3**	**3,655.9**	**3,661.4**	**3,678.0**	**3,688.1**	**3,697.8**	**3,720.9**	**3,585.2**	**3,670.9**	**3,735.1**
	Real Disposable Income $1982 Bil.	2,524.7	2,540.7	2,581.2	2,625.8	2,619.5	2,629.3	2,642.9	2,655.8	2,528.0	2,614.0	2,662.9
	Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,750	1,650	1,550	1,610	1,739	1,767	1,621
	Housing Starts (000 SAAR)	1,688	1,773	1,988	1,908	1,820	1,720	1,650	1,700	1,742	1,859	1,709
	New Home Sales (000 SAAR)	711	696	789	789	675	700	710	710	686	738	730
	Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,560	3,425	3,425	3,450	3,216	3,428	3,449
	Prime Rate %	9.5	9.5	9.4	8.6	7.8	7.4	7.0	6.8	9.9	8.3	6.7
	Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.0	9.9	9.5	9.3	12.5	10.2	9.4
	Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.6	331.4	334.0	337.0	322.1	328.5	338.8
	Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.3	290.3	292.7	295.6	293.9	289.7	297.2
	New Housing Affordability 1980-100)	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**77,800**	**90,600**	**84,965**	**87,508**	**90,543**	**92,903**	**94,567**	**96,069**	**80,267**	**88,980**	**97,902**
	Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
	Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
	Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant	**Total Millions $1977 SAAR**	**45,368**	**51,857**	**48,150**	**49,100**	**50,300**	**51,100**	**51,500**	**51,800**	**46,985**	**49,663**	**52,513**
	Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
	Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
	Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,399,296**	**1,388,316**	**1,404,932**	**1,421,400**	**1,474,232**	**1,455,670**	**1,477,839**	**1,502,503**	**1,373,941**	**1,439,059**	**1,512,665**
	Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,912	1,113,732	1,117,772	1,136,455	1,156,482	1,061,148	1,106,444	1,165,676
	Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,316	86,860	83,947	85,991	88,580	74,062	85,007	90,260
	Building Material and Supply	53,736	56,976	61,180	62,580	63,128	61,773	64,057	66,123	53,841	62,165	67,815
	Hardware	11,116	11,572	11,416	11,268	11,856	11,686	12,055	12,282	11,092	11,556	12,318
Constant	**Total Millions $1982 SAAR**	**1,308,139**	**1,288,244**	**1,306,567**	**1,138,411**	**1,382,932**	**1,352,000**	**1,359,000**	**1,368,000**	**1,282,772**	**1,294,978**	**1,370,250**
	Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,049,247	1,059,686	1,053,000	1,060,000	1,068,000	997,299	1,047,324	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,347	84,084	80,460	81,602	83,227	70,215	81,413	84,355
	Building Material and Supply	51,144	53,749	57,422	60,401	61,111	58,800	60,370	61,700	51,035	59,434	62,936
	Hardware	10,580	10,918	10,717	10,876	11,477	11,200	11,440	11,540	10,507	11,068	11,515
	Building Materials % of Total Less Automobile ($Current)	5.04	5.26	5.59	5.69	5.67	5.53	5.64	5.72	5.07	5.62	5.82

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
October 16, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*